

Message Text

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PAGE 01 KUWAIT 02886 141108Z
ACTION NEA-11

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TO USDOC WASHDC
INFO AMEMBASSY ANKARA
AMCONSUL ISTANBUL
AMEMBASSY MUSCAT
SECSTATE WASHDC 960

UNCLAS KUWAIT 2886

COMMERCE FOR ITA/BED/CAGNE AND OIM/SAD; DEPT FOR NEA/ARP

E.O. 11652: N/A
TAGS: BEXP, KU
SUBJ: FEB 79 CONSTRUCTION EQUIPMENT SPECIALIZED TRADE MISSION

REF: (A) STATE 110484, (B) 77 USDOC 24287, (C) 77 KUWAIT 2722
(NOTAL), (D) KUWAIT 895 (NOTAL)

1. SINCE OUR REQUEST A YEAR AGO TO BE INCLUDED IN THE CONSTRUCTION EQUIPMENT TM, REF C, ECONOMIC FACTORS HAVE SO CHANGED AS TO MAKE THE COMMERCIAL PROSPECTS OF SUCH A MISSION HERE RATHER DIM. THE SEVERE CONGESTION OF THE LOWER GULF AND SAUDI ARABIAN PORTS WHICH MADE KUWAIT'S RELATIVELY CLEAR PORT FACILITIES THE REGIONAL WAREHOUSING AND TRANSPORT CENTER HAS DISAPPEARED. LOCAL MERCHANTS ARE OVERSTOCKED, HAVING LARGE INVENTORIES OF CONSTRUCTION EQUIPMENT THEY CAN'T MOVE. FOR EXAMPLE, THE LOCAL AGENT FOR P & H CRANES HAS 52 CRANES IN STOCK, MANY OF THEM OVER A YEAR OLD, WHILE LAST YEAR HE WAS SELLING THE SAME NUMBER EVERY 60 TO 90 DAYS. KUWAIT IS OVERBUILT. RECENT NEWSPAPER REPORTS NOTE OVER 5,000 VACANT APARTMENTS AND HOUSES. SMALLER LOCAL CONTRACTORS ARE LOSING BIDS AT COST (TO THEM) AND SOME ARE EXPECTED TO GO BANKRUPT. IN SHORT, THE CONSTRUCTION
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INDUSTRY IS EXPERIENCING VERY SOFT DEMAND, IF IT ISN'T IN A FULL FLEDGED RECESSION.

2. AN ADDITIONAL FACTOR WHICH MILITATES AGAINST THE SUCCESSFUL PROMOTION OF SUCH A TM IS THAT ALL THE MAJOR U.S., EUROPEAN, AND JAPANESE MANUFACTURERS AND SUPPLIERS OF CONSTRUCTION EQUIPMENT NOW HAVE AGENTS AND DISTRIBUTORS IN KUWAIT. NEW-TO-

EXPORT FIRMS WOULD FIND IT IMPOSSIBLE TO PENETRATE THE MARKET,
ESPECIALLY NOW THE THE FIERCE, ALMOST LOSS-TAKING COMPETITION
AMONG THE AGENTS.

3. ACTION REQUESTED: KUWAIT BE DROPPED AS ONE OF THE STOPS FOR
THE FULL FLEDGED TRADE MISSION. AS WE HAVE NOTED, REF D,
WE WOULD BE MORE THAN WILLING TO PROVIDE WALK-IN APPOINTMENT
SERVICE FOR THOSE TRADE MISSION MEMBERS WHOS PRODUCT LINES
ARE COMMERCIALY VIABLE FOR THE LOCAL MARKET.
SUTHERLAND

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